

**ELK-DESA<sup>®</sup>**

**ELK-DESA RESOURCES BERHAD**

(Company No: 180164-X)

**QUARTERLY REPORT ON CONSOLIDATED  
RESULTS FOR THE PERIOD ENDED  
30 SEPTEMBER 2017**

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
For the financial period ended 30 September 2017  
(The figures have not been audited.)

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM	RM	RM	RM
Revenue	24,964,217	22,525,346	50,535,152	44,519,664
Other income	432,201	579,791	650,803	1,291,784
Cost of inventories sold	(4,600,932)	(4,331,878)	(9,650,224)	(8,558,868)
Depreciation of property, plant and equipment	(160,943)	(145,576)	(314,037)	(283,492)
Impairment allowance	(5,081,971)	(5,041,071)	(11,693,702)	(9,461,201)
Other expenses	(6,881,095)	(6,099,802)	(13,405,533)	(12,181,558)
Finance costs	(581,585)	(218,425)	(1,133,123)	(573,973)
Profit before taxation	8,089,892	7,268,385	14,989,336	14,752,356
Taxation	(2,128,402)	(1,857,453)	(3,977,801)	(3,841,044)
Profit for the financial period	5,961,490	5,410,932	11,011,535	10,911,312
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	5,961,490	5,410,932	11,011,535	10,911,312
Earnings per ordinary share - basic (sen)	2.43	2.45	4.62	5.40
Earnings per ordinary share - diluted (sen)	2.25	2.13	4.31	4.34

*(The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2017)*

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 30 September 2017**

(The figures have not been audited.)

	<b>As at 30.09.2017 RM</b>	<b>As at 31.03.2017 RM</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	7,261,282	7,155,604
Hire purchase receivables	255,514,318	243,324,545
Deferred tax assets	3,702,848	3,870,566
	266,478,448	254,350,715
<b>Current assets</b>		
Inventories	8,363,943	6,715,178
Other assets	1,142,609	1,261,259
Trade receivables	8,542,459	8,609,202
Hire purchase receivables	100,038,233	94,901,305
Other receivables, deposits and prepayments	2,429,078	1,829,278
Fixed deposits	13,043,538	12,164,816
Short term funds	55,099,019	-
Cash and bank balances	919,735	2,433,255
	189,578,614	127,914,293
Total assets	<u>456,057,062</u>	<u>382,265,008</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	299,679,383	243,129,886
Share premium	23,497,573	24,496,944
Retained earnings	59,999,754	57,280,090
ICULS - equity component	23,732,775	25,915,034
Treasury shares	(16,735,944)	(16,735,944)
Total equity	390,173,541	334,086,010
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Block discounting payables - secured	26,935,890	11,235,666
ICULS - liability component	3,502,863	4,201,689
Deferred tax liability	38,441	38,441
	30,477,194	15,475,796
<b>Current liabilities</b>		
Trade payables	12,974,884	14,931,949
Other payables and accruals	3,840,711	4,824,023
Block discounting payables - secured	16,453,169	10,559,933
Bank overdrafts	333,109	519,946
Current tax liabilities	1,804,454	1,867,351
	35,406,327	32,703,202
Total liabilities	<u>65,883,521</u>	<u>48,178,998</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>456,057,062</u>	<u>382,265,008</u>
Net assets per share	1.40	1.45

*(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2017)*

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the financial period ended 30 September 2017  
(The figures have not been audited.)

	Number of Issued Shares Unit	Share Capital RM	Share Premium RM	Retained Earnings RM	Treasury shares RM	ICULS - equity component RM	Total Equity RM
Balance as at 1 April 2016	184,800,000	184,800,000	13,997,928	52,604,820	(13,440,667)	83,283,772	321,245,853
Total comprehensive income	-	-	-	10,911,312	-	-	10,911,312
Final Dividend for financial year ended 31 March 2016		-	-	(7,962,088)	-	-	(7,962,088)
Conversion of ICULS	54,867,577	54,867,578	9,876,224	(2,708,426)		(53,963,816)	8,071,560
Purchase of treasury shares	-	-	-	-	(3,295,277)	-	(3,295,277)
<b>Balance as at 30 September 2016</b>	<b>239,667,577</b>	<b>239,667,578</b>	<b>23,874,152</b>	<b>52,845,618</b>	<b>(16,735,944)</b>	<b>29,319,956</b>	<b>328,971,360</b>
Balance as at 1 April 2017	243,129,526	243,129,886	24,496,944	57,280,090	(16,735,944)	25,915,034	334,086,010
Total comprehensive income	-	-	-	11,011,535	-	-	11,011,535
Final Dividend for financial year ended 31 March 2017	-	-	-	(8,136,209)	-	-	(8,136,209)
Conversion of ICULS	2,218,810	2,618,199	-	(155,662)	-	(2,182,259)	280,278
Issuance of shares pursuant to right issue	46,492,498	53,931,298	-	-	-	-	53,931,298
Expenses incurred in relation to the right issue	-	-	(999,371)	-	-	-	(999,371)
<b>Balance as at 30 September 2017</b>	<b>291,840,834</b>	<b>299,679,383</b>	<b>23,497,573</b>	<b>59,999,754</b>	<b>(16,735,944)</b>	<b>23,732,775</b>	<b>390,173,541</b>

*(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2017)*

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the financial period ended 30 September 2017

(The figures have not been audited.)

	6 months ended	
	30.09.2017 RM	30.09.2016 RM
<b><u>Cash flows from operating activities</u></b>		
Profit before taxation	14,989,336	14,752,356
Adjustment for :		
Depreciation of property, plant and equipment	314,500	283,492
Loss/(Gain) on disposal of property, plant and equipment	(2,357)	-
Property, plant and equipment written off	1	-
Net impairment allowance made for the financial period	12,117,138	9,937,189
Interest expense	1,092,127	527,863
Interest income	(324,369)	(1,026,002)
Income from short term funds	(18,916)	-
Operating profit before working capital changes	28,167,460	24,474,898
Changes in working capital:		
Inventories	(1,648,765)	(5,027,309)
Other assets	118,651	(321,825)
Hire purchase receivables	(29,296,547)	(42,373,957)
Trade receivables	(80,551)	(4,468,813)
Other receivables, deposits and prepayments	(599,800)	(1,016,436)
Trade payables	(1,957,065)	2,120,734
Other payables and accruals	(569,656)	831,358
	(34,033,733)	(50,256,248)
Cash generated from/(used in) operations	(5,866,273)	(25,781,350)
Tax paid	(3,961,489)	(2,491,668)
<b>Net cash from/(used in) operating activities</b>	<b>(9,827,762)</b>	<b>(28,273,018)</b>
<b><u>Cash flows from investing activities</u></b>		
Purchase of property, plant and equipment	(420,180)	(571,253)
Proceeds from disposal of property, plant and equipment	2,358	-
Interest received	324,369	1,026,002
Income received from short term funds	18,916	-
Net withdrawal / (placement) of fixed deposit with licensed banks with original maturity of more than three (3) months	-	20,979,507
<b>Net cash from/(used in) investing activities</b>	<b>(74,537)</b>	<b>21,434,256</b>
<b><u>Cash flows from financing activities</u></b>		
Net (repayment)/drawdown of block discounting payables	21,708,101	(6,823,025)
Proceed from Rights Issue	53,931,298	-
Rights Issue expenses paid	(999,371)	-
Interest paid	(1,950,462)	(3,584,216)
Dividend paid	(8,136,209)	(7,962,088)
Purchase of treasury shares	-	(3,295,277)
<b>Net cash from/(used in) financing activities</b>	<b>64,553,357</b>	<b>(21,664,606)</b>

**ELK-DESA RESOURCES BERHAD** (Company No 180164-X)  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the financial period ended 30 September 2017**  
(The figures have not been audited.)

	<u>6 months ended</u>	
	<u>30.09.2017</u>	<u>30.09.2016</u>
	RM	RM
<b>Net increase/(decrease) in cash and cash equivalents during the financial period</b>	<b>54,651,058</b>	<b>(28,503,368)</b>
Cash and cash equivalents as at beginning of financial year	14,078,125	51,414,554
<b>Cash and cash equivalents as at end of financial period</b>	<b>68,729,183</b>	<b>22,911,186</b>
<b><u>Composition of cash and cash equivalents</u></b>		
Deposits, cash and bank balances	13,963,273	27,911,186
Bank overdraft	(333,109)	-
Fixed deposit placed with licensed banks with original maturity of more than three (3) months	-	(5,000,000)
Short term fund	55,099,019	-
	<b>68,729,183</b>	<b>22,911,186</b>

*(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 March 2017)*

**ELK-DESA RESOURCES BERHAD (Company No 180164-X)**

Notes to the Interim Financial Statements  
for the second quarter ended 30 September 2017

**A1 Accounting Policies And Basis Of Preparation**

The interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting and Chapter 9 Part K of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with IAS 34: Interim Financial Reporting.

The interim financial statements are unaudited and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2017, which had been prepared in accordance with Malaysian Financial Reporting Standards (MFRS).

The accounting policies adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2017 except for the adoption of new MFRSs, amendments and IC interpretations that are mandatory for the Group for the financial year beginning 1 April 2017.

On 1 April 2017, the following accounting standards, amendments and interpretations of the MFRS Framework were adopted by the Group.

<b>Title</b>		<b>Effective Date</b>
Amendments to MFRS 12	<i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to MFRS 107	<i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

Application of the above accounting standards, amendments and interpretations are not expected to have a material impact on the financial statements of the Group.

**A2 Seasonal and Cyclical Factors**

Generally, the Group's operations will benefit from higher consumer spendings during festive seasons in Malaysia.

**A3 Unusual Items due to Their Nature, Size or Incidence**

There were no unusual items that may affect the amount stated in the interim financial statements during the financial period ended 30 September 2017.

**A4 Change in Estimates**

There were no changes in estimates that had any material effect for the financial period ended 30 September 2017.

**A5 Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities**

Save as disclosed below, there were no issuance, repurchases and repayment of debt and equity securities and share cancellations during the financial period ended 30 September 2017.

On 5 September 2017, the Company issued 46,492,498 new ordinary shares at RM 1.16 per share pursuant to the Company's right issue exercise.

During the financial period under review, the Company had issued 132,116 new ordinary shares pursuant to conversions of 155,900 units of ICULS.

**A6 Dividend Paid**

On 28 August 2017, Company had paid a single-tier final dividend of 3.50 per share for the financial year ended 31 March 2017 amounting to RM8.14 million.

**A7 Segmental Reporting**

	Hire Purchase Financing RM	Furniture RM	Elimination RM	Consolidated RM
<b><u>Quarter Ended 30 September 2017</u></b>				
Revenue (External)	17,668,718	7,295,499	-	24,964,217
Revenue (Inter-Segment)	-	2,349	(2,349)	-
Other income	460,338	9,671	(37,808)	432,201
Cost of inventories sold	-	(4,602,473)	1,541	(4,600,932)
Depreciation of property, plant and equipment	(105,735)	(55,208)	-	(160,943)
Impairment allowance	(5,094,877)	12,906	-	(5,081,971)
Other expenses	(4,283,551)	(2,598,352)	808	(6,881,095)
Finance costs	(559,421)	(59,972)	37,808	(581,585)
<b>Profit/(Loss) before tax</b>	<b>8,085,472</b>	<b>4,420</b>	<b>-</b>	<b>8,089,892</b>
<b><u>Quarter Ended 30 September 2016</u></b>				
Revenue (External)	15,912,543	6,612,803	-	22,525,346
Revenue (Inter-Segment)	-	340	(340)	-
Other income	560,160	19,631	-	579,791
Cost of inventories sold	-	(4,332,128)	250	(4,331,878)
Depreciation of property, plant and equipment	(96,762)	(48,814)	-	(145,576)
Impairment allowance	(5,026,264)	(14,807)	-	(5,041,071)
Other expenses	(3,783,159)	(2,316,733)	90	(6,099,802)
Finance costs	(191,288)	(27,137)	-	(218,425)
<b>Profit/(Loss) before tax</b>	<b>7,375,230</b>	<b>(106,845)</b>	<b>-</b>	<b>7,268,385</b>
<b><u>6 months Ended 30 September 2017</u></b>				
Revenue (External)	35,305,884	15,229,268	-	50,535,152
Revenue (Inter-Segment)	-	6,623	(6,623)	-
Other income	698,518	20,504	(68,219)	650,803
Cost of inventories sold	-	(9,655,180)	4,956	(9,650,224)
Depreciation of property, plant and equipment	(206,227)	(107,810)	-	(314,037)
Impairment allowance	(11,546,409)	(147,293)	-	(11,693,702)
Other expenses	(8,202,365)	(5,206,462)	3,294	(13,405,533)
Finance costs	(1,092,128)	(109,214)	68,219	(1,133,123)
<b>Profit/(Loss) before tax</b>	<b>14,957,273</b>	<b>30,436</b>	<b>1,627</b>	<b>14,989,336</b>
Segment assets	453,197,334	20,872,057	(18,012,329)	456,057,062
Segment liabilities	63,150,337	5,745,513	(3,012,329)	65,883,521
<b><u>6 months Ended 30 September 2016</u></b>				
Revenue (External)	31,290,629	13,229,035	-	44,519,664
Revenue (Inter-Segment)	-	340	(340)	-
Other income	1,255,153	36,631	-	1,291,784
Cost of inventories sold	-	(8,559,118)	250	(8,558,868)
Depreciation of property, plant and equipment	(189,407)	(94,085)	-	(283,492)
Impairment allowance	(9,446,394)	(14,807)	-	(9,461,201)
Other expenses	(7,590,196)	(4,593,341)	1,979	(12,181,558)
Finance costs	(528,009)	(45,964)	-	(573,973)
<b>Profit/(Loss) before tax</b>	<b>14,791,776</b>	<b>(41,309)</b>	<b>1,889</b>	<b>14,752,356</b>
Segment assets	361,508,538	16,861,095	(15,000,000)	363,369,633
Segment liabilities	32,462,853	1,935,420	-	34,398,273



**ELK-DESA RESOURCES BERHAD (Company No 180164-X)**

Notes to the Interim Financial Statements  
for the second quarter ended 30 September 2017

**A8 Subsequent Events**

There was no material event subsequent to the current quarter.

**A9 Changes in the Composition of the Group**

There were no changes in the composition of the Group, including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations during the financial period ended 30 September 2017.

**A10 Changes in Contingent Liabilities and Contingent Assets**

There were no contingent liabilities and assets for the Group as at 30 September 2017.

**A11 Capital Commitments**

There were no material capital commitments for the purchase of property, plant and equipment as at the end of the financial period ended 30 September 2017.

**A12 Related Party Disclosures**

There was no significant related party transaction during the financial period ended 30 September 2017.

## B1 Review Of Performance

### CURRENT QUARTER (FY2018-Q2 vs FY2017-Q2)

GROUP	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2017	30.09.2016			30.09.2017	30.09.2016		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	24,964,217	22,525,346	2,438,871	11%	50,535,152	44,519,664	6,015,488	14%
Profit before interest and tax	8,671,477	7,486,810	1,184,667	16%	16,122,459	15,326,329	796,130	5%
Profit before taxation	8,089,892	7,268,385	821,507	11%	14,989,336	14,752,356	236,980	2%
GROUP	As at		Variance	Variance			Variance	Variance
	30.09.2017				30.09.2016			
	RM	RM			RM	%		
Hire Purchase Receivables	355,552,551	308,499,117	47,053,434	15%				
Total Borrowings	43,722,168	8,692,794	35,029,374	403%				

The Group's revenue increased by 11% to RM24.96 million due to higher contribution from both hire purchase and furniture segment. The Group's profit before tax increased by 11% to RM8.09 million mainly due to higher profit contribution from the hire purchase segment.

Hire purchase receivables registered a 15% growth year on year from RM308.50 million to RM355.55 million as at 30 September 2017. This was the key factor that led to the hire purchase division's increased revenue for the current financial period.

Total borrowings increased 403% mainly due to higher drawdown of block discounting payables during the current financial period to support the increased hire purchase receivables.

Upon the completion of the rights issue exercise as disclosed in Note B6, the Group received a rights issue proceed amounting to RM53.93 million. The funds have been placed in fixed deposits and short term funds, prior to its utilisation for the purpose of hire purchase disbursement.

HIRE PURCHASE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2017	30.09.2016			30.09.2017	30.09.2016		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	17,668,718	15,912,543	1,756,175	11%	35,305,884	31,290,629	4,015,255	13%
Profit before interest and tax	8,644,893	7,566,518	1,078,375	14%	16,049,401	15,319,785	729,616	5%
Profit before taxation	8,085,472	7,375,230	710,242	10%	14,957,273	14,791,776	165,497	1%

#### Hire Purchase Segment

Revenue increased by 11% to RM17.67 million, mainly due to increase in hire purchase portfolio.

Other income decreased by 18% mainly due to lower fixed deposit interest income, as the cash were utilised for higher yielding hire purchase disbursements.

Impairment allowance increased marginally to RM5.95 million. Credit loss charge (i.e. impairment allowance over average net hire purchase receivables) decreased from 1.58% to 1.37%. Excluding the collective impairment allowance, the credit loss charge for the quarter decreased from 1.47% to 1.33%.

Other expenses increased by 13% to RM4.28 million, which is in line with the larger hire purchase portfolio. As a result of higher borrowings, the finance cost increased by 192% to RM0.56 million.

The profit before tax increased by 10% to RM8.09 million mainly due to increase in hire purchase portfolio.

FURNITURE SEGMENT	Individual Quarter		Variance	Variance	Cumulative Quarter		Variance	Variance
	3 months ended				6 months ended			
	30.09.2017	30.09.2016			30.09.2017	30.09.2016		
	RM	RM	RM	%	RM	RM	RM	%
Revenue	7,297,848	6,613,143	684,705	10%	15,235,891	13,229,375	2,006,516	15%
Profit before interest and tax	64,392	(79,708)	144,100	-181%	139,650	4,655	134,995	2900%
Profit before taxation	4,420	(106,845)	111,265	-104%	30,436	(41,309)	71,745	-174%

#### Furniture Segment

Revenue increased by 10% to RM7.30 million mainly due to the Division's sales and promotional efforts. Gross profit margin increased from 34% to 37%.

Other expenses increased by 12% to RM2.60 million mainly due to higher advertisement expenses, staff cost and transportation expenses.

The Division recorded a profit before tax of approximately RM4,400.

**YEAR-TO-DATE (FY2018YTD vs FY2017YTD)**

The Group's revenue increased 14% to RM50.54 million, due to higher contribution from both hire purchase and furniture business.

The Group's profit before tax increased marginally to RM14.99 million, contributed by both divisions.

Hire Purchase Segment

Revenue increased by 13% from RM31.29 million to RM35.31 million, mainly due to increase in hire purchase portfolio.

Impairment allowance increased by 22% to RM11.55 million mainly due to higher delinquent accounts and cost of debt recoveries. Credit loss charge increased from 3.13% to 3.31%. Excluding the collective impairment allowance, the credit loss charge for the financial period would be 3.18%, an increase from 2.85%. Generally, the higher cost of living and the current soft economic environment would have an impact on the repayability of our hirers.

Other expenses increased by 8% to RM8.20 million, which is in line with the larger hire purchase portfolio.

As a result of higher borrowings, the finance cost increased by 107% to RM1.09 million.

As a result of the above factors, the profit before tax only increased marginally from RM14.79 million to RM14.96 million.

Furniture Segment

Revenue increased by 15% to RM15.24 million mainly due to the Division's sales and promotional efforts. Gross profit margin increased marginally from 35% to 37%.

Impairment allowance increased by 895% to approximately RM147,300 mainly due to slow payment from the furniture dealers. Other expenses increased by 13% to RM5.21 million mainly due to higher advertisement expenses, staff cost and transportation expenses.

The Division recorded a profit before tax of approximately RM30,400.

**B2 Comparison of Results with Preceding Quarter**

GROUP	Current Quarter	Immediate Preceding Quarter	Variance	Variance
	30.09.2017	30.06.2017		
	RM	RM	RM	%
Revenue	24,964,217	25,570,935	(606,718)	-2%
Profit before interest and tax	8,671,477	7,450,982	1,220,495	16%
Profit before taxation	8,089,892	6,899,444	1,190,448	17%

The Group's profit before tax for the current quarter of RM8.09 million was higher as compared to RM6.90 million of the immediate preceding quarter mainly due to higher profit contribution from the hire purchase segment.

**B3 Prospects and Outlook**

Despite the cautious outlook ahead, the Group is not likely to experience any slowdown in the demand for second hand cars financing for the financial year ending 31 March 2018 as the business segment that the Group is currently operating in, is still relatively small as compared to the overall auto financing industry. The Group believes that there is still much more room to grow, even within its existing area of operations.

The Group will continue to strategically operate in the underserved niche market and focus on growing the small value second hand car financing segment. The business strategy will also be constantly reviewed to ensure the Group continues to stay relevant in the industry and at the same time keeping the credit risk exposure within the tolerance level.

Like any other local retail business, the furniture business will continue to be affected by the sluggish consumers' sentiments and current soft economic environment. However, the Group will focus on ensuring the operational efficiencies in the furniture division.

Impairment allowances as a result of downside credit risk is a key factor affecting the future performance of the Group, in particular the hire purchase business. Therefore, the Group will continue to place strong emphasis on close monitoring and efficient debt recoveries as well as follow-up mechanism, to minimise the impact from the current soft economic environment.

Riding on the positive performance in the second quarter, the Board is optimistic that the Group's profit for the financial year ending 31 March 2018 will be better than financial year ended 31 March 2017.

**ELK-DESA RESOURCES BERHAD (Company No 180164-X)**

Notes to the Interim Financial Statements  
for the second quarter ended 30 September 2017

**B4 Profit Forecasts**

The Group did not issue any profit forecasts for the period under review.

**B5 Taxation**

Tax charge for the quarter and financial period ended 30 September 2017 are set out below:

	<b>3 months ended 30.09.2017 RM</b>	<b>6 months ended 30.09.2017 RM</b>
(a) Income Tax	2,088,723	3,898,592
(b) Deferred Taxation	39,679	79,209
	<u>2,128,402</u>	<u>3,977,801</u>

The effective tax rate of the Group for the financial period ended 30 September 2017 were higher than the statutory tax rate due to certain expenses which were not deductible for tax purposes.

**B6 Status of Corporate Proposals Announced**

On 11 November 2016, Mercury Securities Sdn Bhd, on behalf of the Board, announced that the Company proposes to undertake the following proposals:

(i) Proposed renounceable rights issue of up to 51,589,369 new ordinary shares at an issue price of RM1.16 per rights share on the basis of one (1) rights share for every five (5) existing ordinary shares in ELK-Desa Resources Berhad held on an entitlement date to be determined later ("Proposed Rights Issue"); and

(ii) Proposed exemption under Paragraph 4.08(1)(B) of the Rules of Take-Overs, Mergers and Compulsory Acquisitions to Mr. Teoh Hock Chai @ Tew Hock Chai ("THC") and persons acting in concert with him ("PACs") from the obligation to undertake a mandatory take-over offer for all ELK-Desa shares not already held by THC and his PACs ("Proposed Exemption").

On 8 September 2017, the Company has successfully completed the Rights Issue of 46,492,498 Rights Shares.

Other than disclosed above, there are no other corporate proposals for the Group.

As at 30 September 2017, the proceeds have been utilised as follows:

<b>Purpose</b>	<b>Proposed Utilisation</b>	<b>Actual Utilisation</b>	<b>Timeframe for Utilisation</b>	<b>Balance</b>	<b>Remarks</b>
	<b>RM</b>	<b>RM</b>		<b>RM</b>	
(a) Hire purchase disbursements	52,331,298	7,785,766	Within 12 months	44,545,532	Not fully utilised
(b) Expenses relating to the Rights Issue	1,600,000	999,371	Within 6 months	600,629	Not fully utilised
	<b>53,931,298</b>	<b>8,785,137</b>		<b>45,146,161</b>	

**ELK-DESA RESOURCES BERHAD (Company No 180164-X)**

Notes to the Interim Financial Statements  
for the second quarter ended 30 September 2017

**B7 Group Borrowings & Debt Securities**

The Group does not have any borrowings or debt securities that are denominated in foreign currency.

		As at	
		30.09.2017	30.09.2016
		RM	RM
<b>Borrowings</b>			
Block Discounting Payables	- within 1 year	16,453,169	7,982,617
(Fixed rate and secured)	- later than 1 year	26,935,890	710,177
		43,389,059	8,692,794
Bank Overdraft	- within 1 year	333,109	-
(Floating rate and unsecured)			
Total Borrowings		<u>43,722,168</u>	<u>8,692,794</u>
<b>Debt Securities</b>			
ICULS - liability component	- later than 1 year	<u>3,502,863</u>	<u>5,176,174</u>

**B8 Changes in Material Litigation**

There was no material litigation against the Group as at the reporting date.

**B9 Dividend**

The Board of Directors has declared a single tier interim dividend of 3.25 sen per share (2Q FY2017 :3.25 sen) in respect of the current financial year ending 31 March 2018. The dividend will be paid on 8 February 2018 to the shareholders whose name appear in the record of depositors of the Company as at 25 January 2018.

Year-to-date ("YTD") dividend for the financial period ended 30 September 2017 is 3.25 sen per ordinary share (YTD FY2017 : 3.25 sen).

**B10 Earnings Per Share**

Basic earnings per share is calculated by dividing the Group's net profit by the weighted average number of ordinary shares in issue during the financial period.

	Quarter ended 30.09.2017	Quarter ended 30.09.2016	Year to date ended 30.09.2017	Year to date ended 30.09.2016
Profit after taxation (RM)	5,961,490	5,410,932	11,011,535	10,911,312
Weighted average number of ordinary shares (units)	245,609,235	220,429,030	238,119,005	202,182,163
Basic earnings per ordinary share (sen)	2.43	2.45	4.62	5.40

Diluted earnings per share is calculated by dividing the Group's net profit by the weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares.

	Quarter ended 30.09.2017	Quarter ended 30.09.2016	Year to date ended 30.09.2017	Year to date ended 30.09.2016
Profit after taxation (RM)	5,961,490	5,410,932	11,011,535	10,911,312
Interest expense on ICULS, net of tax (RM)	105,075	65,011	348,577	278,657
Adjusted profit after tax (RM)	6,066,565	5,475,943	11,360,112	11,189,969
Weighted average number of ordinary shares (units)	245,609,235	220,429,030	238,119,005	202,182,163
Adjustment for potential dilutive shares (units)	24,245,712	37,106,189	25,202,250	55,633,581
Adjusted weighted average number of ordinary shares (units)	269,854,947	257,535,219	263,321,255	257,815,744
Diluted earnings per ordinary share (sen)	2.25	2.13	4.31	4.34

**B11 Audit Report For The Preceding Annual Financial Statements**

The audited financial statements of the Group for the preceding financial year ended 31 March 2017 was not qualified.

**B12 Notes to the Statement of Comprehensive Income**

	<b>3 months ended 30.09.2017 RM</b>	<b>6 months ended 30.09.2017 RM</b>
Profit before taxation is arrived at after charging:		
Interest expense	559,420	1,092,127
Inventories written down	-	-
Reversal of inventories previously written down	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Realised foreign exchange (gain) or loss	(16,698)	26,184
Unrealised foreign exchange (gain) or loss	-	-
Gain or loss on derivatives	-	-
Exceptional items	-	-
And crediting:		
Interest income	197,333	324,369

**B13 Retained Earnings**

The following analysis of realised and unrealised retained earnings is prepared in accordance with the guidance issued by the Malaysian Institute of Accountants in the prescribed format by Bursa Malaysia Securities Berhad.

	<b>As at 30.09.2017 RM</b>	<b>As at 31.03.2017 RM</b>
Total retained earnings of the Company and its subsidiaries		
- Realised	92,116,343	89,368,310
- Unrealised	<u>2,823,720</u>	<u>2,823,720</u>
	94,940,063	92,192,030
Less: Consolidation adjustments	<u>(34,940,309)</u>	<u>(34,911,940)</u>
Total retained earnings as per consolidation accounts	<u>59,999,754</u>	<u>57,280,090</u>